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TRADE WITH MEXICO.

CORRESPONDENCE

BETWEEN THE

MANUFACTURERS' ASSOCIATION

OF THE

NORTHWEST, CHICAGO,

AND

Hon. JOHN W. FOSTER,

MINISTER PLENIPOTENTIARY OF THE UNITED STATES TO MEXICO.

CHICAGO,
1878

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Committee on Correspondence and Invitation:

GEORGE S. BOWEN, A. H. ANDREWS, JOHN MARDER.

THE MANUFACTURERS' ASSOCIATION

OF THE NORTHWEST.

CHICAGO, August 23d, 1878.

HON. JOHN W. FOSTER, American Minister, Mexico.

DEAR SIR—Please find herein cards of invitation to the reception tendered His Excellency, the Mexican Minister, by the Manufacturers of the Northwest, and we should be pleased to see you, but distance, no doubt, will prevent. We feel disposed to do some business with the citizens of the Republic of Mexico, as Chicago produces many articles, it seems to me, consumed there, and I shall be pleased to have any views you may have gained during your residence in the City of Mexico, on that subject.

I am, dear sir,

Your most ob't.,

GEORGE S. BOWEN,

For the Committee.

POINTS DISCUSSED IN MR. FOSTER'S LETTER.

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MR. FOSTER'S LETTER.

[SENT THROUGH THE DEPARTMENT OF STATE.]

LEGATION OF THE UNITED STATES,
MEXICO, OCTOBER 9, 1878.

MR. CARLILE MASON, *President of the Manufacturers' Association, Chicago, Illinois:*

DEAR SIR—I have to thank your Association for the invitation which its committee sent me to attend the Reception tendered by it to His Excellency, M. de Zamacona, Mexican Minister to the United States. Had my official duties permitted, it would have afforded me the greatest gratification to have united with the citizens of Chicago in their welcome to their distinguished guest, whose friendship I so highly esteem, and whose position in the very front rank of Mexico's public men I so well know.

Being deprived of that pleasure, I have sought some compensation in carefully reading the detailed accounts of his visit, and especially those which related to the main object of the Reception—the impartation of information and the development of suggestions and methods whereby the commercial relations between the two Republics may be enlarged and improved. I have read them with the more attention, because it is a subject in which I have, ever since my residence in this country, been deeply interested, and to which I have devoted much inquiry and thought.

Senor Zamacona and I began our residence in the respective countries at the same date. I have been gratified to see the enthusiastic impressions he has formed of the possibility of increasing and making important and valuable our international trade. I came to Mexico with the same exalted ideas of the development of this commerce, and have omitted no proper opportunity to express my hopes both at home and in Mexico, of the realization of so desirable an object; and I still entertain the same earnest desire that it may be accomplished, because I regard it as the most potent and beneficient method of preserving peace on the always disturbed border, of cementing and making lasting our political and social friendship, and of aiding each other in the maintenance of our Republican institutions. But in complying with the request which your Association has made to me to communicate to it "any views which I may have gained during my residence in this country," while Senor Zamacona has been more and more impressed, in the United States, with the possibility of this enlarged commerce, I regret to say that I, on the contrary, have been constantly learning of obstacles and encountering hazards thereto. He is to be commended for the warm interest which he has manifested in the encouragement of trade between the two countries, and I am proud to call myself a humble co-laborer in his work; but when called upon by my countrymen, before embarking in a great enterprise, to give them the benefit of the information which I have obtained as their representative, in regard to that enterprise, it is my duty to speak frankly and not conceal that which may be unpleasant to some, if the information sought is necessary to a full understanding of the enterprise in contemplation. In Hershey Hall, and during his visit to Chicago, Sr. Zamacona spoke of flattering expectations of enlarged trade and a prosperous commerce, while I must necessarily write, in part, of difficulties, embarrassments and dangers. So that I can not hope for such a cheerful welcome. But it is just as important to the prudent manufacturers and business men of Chicago to know something of the latter as to be entertained by the former. And, though my figures, facts and details may appear to the general reader somewhat dull and prolix, I think

I may safely count upon the careful attention of those who are thinking of embarking in the Mexican trade, for these latter desire all the *practical* information attainable.

In examining and deciding upon a new and foreign field of commercial enterprise, there are three points especially, about which business men desire information: 1st. The means of reaching the new market and, if defective, the possibility of improvement in the ways of communication; 2nd. The tariff, trade regulations, laws and practices to which they will be subject in the new field; and 3d, The protection which will be afforded to their persons and their property in that country. The first of these was the prominent subject discussed in the Hershey Hall meeting, the third was briefly referred to; but the second was not even mentioned. I will confine this paper to these three points, treating them candidly, and supporting every statement which I may make with official or incontestable facts and figures, obtained during a residence of more than five years in Mexico.

FIRST, As to the means of communication with Mexico and the possibility of their improvement.

There is now a semi-monthly steamer leaving New York, and one every three weeks from New Orleans, touching at the important Mexican gulf ports; also, a steamer leaves San Francisco twice a month, touching at Acapulco, and once a month at other Pacific ports, and another every thirty-five days for Mazatlan and the ports of the Gulf of California. In addition to these there are lines of schooners sailing from New York, New Orleans, Galveston and San Francisco, at irregular times, according to the demands of trade.

The steamers named all receive a subsidy from the Mexican Government, but no aid from the Government of the United States. I had occasion nearly three years ago to refer to this point, in some remarks which I made before the Chamber of Commerce of New Orleans, and to highly commend the wisdom and the liberality of the Mexican Government, while I, at the same time, condemned the indifference with which our Congress had treated the matter. If that body would authorize the Postoffice Department to expend, say from $100,000 to

$150,000 annually, in the improvement of our postal facilities to Mexico, (which are a necessity to all commerce,) the steam communication between the ports above named could be at once doubled, which would be all of the kind that is likely to be required for some years to come. The mercantile interests in the different parts of the United States, which are looking towards the Mexican trade, can exercise a great influence in procuring the necessary legislation from Congress.

But this will be only a partial and imperfect provision for meeting the necessities of our commerce, if we are ever to enjoy a permanent and valuable trade with Mexico. If any thing was made apparent by the Hershey Hall reception, it was that *the great want* of the two countries, in a commercial point of view, is an international railroad connecting this Capital with the system in the United States. The Government Statistician, Mr. Nimmo, whose letter is published in full in the proceedings, says: "The *only way* in which any considerable com-"merce can be built up between the United States and Mexico, "is by the extension of our railroad system from the Rio "Grande to the City of Mexico." Senor Zamacona, in his address, used the following language: "The *most necessary* "*feature* in building up commerce between our countries is the "construction of an international railroad." The resolutions adopted, which sum up the practical results of the meeting, state: "That we regard the absence of lines of railroads * * * as *the chief obstacle* to be overcome in developing, establishing and increasing intimate commercial relations between the United States and Mexico." This is the universal belief in the United States, and my observation in this country leads me to concur heartily with this idea.

Such being an undisputed fact, let us examine the probabilities of the early realization of this "necessary feature," as Senor Zamacona justly terms it. So far as relates to the United States the problem is soon to be solved. On the Pacific Coast, our enterprising countrymen have already virtually touched the Mexican frontier at Fort Yuma. In Texas our Southern railroad system has reached San Antonio, and a few months only would suffice to bring it to the left bank of the Rio Grande, if

there were inducements to carry it across the border. Another line is steadily pushing Southward through New Mexico, to connect the Mexican frontier with our central and Northern system of roads. So that so far as the work to be done on American territory is concerned, it may be regarded as already virtually accomplished.

On Mexican territory all of the work has yet to be done. When may we reasonably expect it to be begun, how rapidly carried forward, and when completed? The answers to these questions involve as many queries, relating to the legislation and financial ability of Mexico, not to speak of peace and stable government. These queries are: 1st. What legislation or character of charter is needed? 2nd. What is the probability of obtaining it from the Mexican Congress? 3d. What aid, by way of subsidy, can Mexico give to this great enterprise?

In answering the first question, I will state that I have been frequently consulted since my residence in Mexico, by American capitalists and business men, as to the possibility of obtaining a practicable charter from the Mexican Government for the construction of a railroad from the American frontier to the City of Mexico. When they have mentioned to me the terms of the charter desired, they have almost invariably embraced a provision for a joint guarantee of protection to the capital and property of such a road by the two Governments of the United States and Mexico, and, in some instances, that the United States should indorse the bonds or guarantee the credit which Mexico should give under the charter. The third and fifth resolutions of your Hershey Hall meeting seem to take the same view of the matter. American capitalists can not lose sight of the half century of disorder and revolution in Mexico, and there is a general conviction among them that they can not safely invest their money in a large railroad enterprise in this country, unless the protection of the Government of the United States, by some treaty stipulation or other convention, goes with it. I have unhesitatingly answered all these inquiries with the statement that the Mexican Government, in the present temper of its people, will not consent to any such

condition. I could cite numerous evidences of this opposition, but it is so well known by all conversant with the spirit of Mexican legislation that proofs of it would seem unnecessary. But to make it clear to the American reader I give two instances. At the last session of Congress Senator Morgan, of Alabama, with the most friendly disposition possible towards Mexico, offered a series of resolutions in regard to our political and commercial relations. Accepting the prevailing view entertained by American capitalists mentioned above, one of the Senator's resolutions was that "It is expedient to provide, by treaty, for the protection and encouragement of such citizens of either country as shall, with the consent of the Government of Mexico, build and equip a line of railroad from the City of Mexico to the Rio Grande, &c." This resolution, being published here, was denounced as a proposition to establish an American Protectorate over Mexico, with the ultimate aim of its annexation. But the Mexican Congress has made its disposition very clear on this point. In 1873 a contract was entered into by the Executive with the International Railroad Company of Texas, for the construction of a railroad to this city. That contract or charter contained provisions of absolute forfeiture in case of the transfer of any of the stock or the alienation or hypothecation of any of the property or interests of the company to any foreign government or State; all the capital, shareholders, employees, and all persons connected with the company were declared Mexicans in all that related to the enterprise within the Republic, nor could they maintain their claim as foreigners, "*even when alleging denial of justice.*" And similar provisions have been inserted in every railroad contract or charter made or proposed since that date with foreigners. None of these charters have been found available, and one of the reasons is very plain. American capitalists are very loth to invest their money in Mexican enterprises without some greater security than has been afforded in the past; and especially are they unwilling to foreswear their nationality for the sake of building a railroad in a foreign land, and to covenant, in advance, to renounce the intervention of their own Government in case of *a denial of justice*, a privilege recognized by the general [illegible] of International law.

2nd. What is the probability of obtaining a charter from the Mexican Congress?

If I have correctly interpreted the views of American capitalists, it would hardly seem worth while to examine this second point, as the only charter which the Mexican Government proposes to give would appear valueless to American constructors. But as there may be citizens of the United States who would be willing to accept a charter on the terms named, I will answer the question. There, no doubt, exists in Mexico a general feeling that railroads are the great necessity of the country. But the sentiment in favor of a railroad connection with the United States is, by no means, so prevalent. With the majority of her most intelligent public men, a railroad from this city to the Pacific ocean is held much more desirable, thus forming, with the present line to Vera Cruz, an inter-oceanic route. There is a widespread, I will not say predominant, feeling that a railroad connection with the United States would lead to the destruction of the Mexican nationality and the ultimate absorption of the country by the United States. And the politicians understand this feeling so well, that when the occasion serves them, they never fail to appeal to it with marked effect in Congress. At its last session that body showed itself decidedly hostile to granting a charter for a railroad to the United States, even with the objectionable features cited above. The Executive made a contract with an American combination for the construction of a railroad from this Capital, with one branch to the American frontier and another to the Pacific, but it inserted a provision that the branch to the Pacific *should be completed* before the one to the frontier was commenced. Notwithstanding this proviso, the charter was defeated in Congress by a decided majority; after which the Lower House voted almost unanimously to confer upon the Executive, authority to contract for a line to the Pacific only. The reasons given for this action were the bad policy and danger to the country of conferring such privileges upon an American company, and of extending railroad connections to the United States. The arguments presented by the principal speaker, Hon. Alfredo Chavero, one of the most experienced and influential men in the

Republic, were that "It was very poor policy, very injudi to establish within our country a powerful American compa that "it is a natural law of history that border nations are mies;" that "nations of the North generally invade the tions of the South," hence "we should always fear the U States;" and he closed with the following appeal: "You Deputies of the States, would you exchange your poor beautiful liberty of the present for the rich subjection whicl railroad could give you? Go and propose to the lion of desert to exchange his cave of rocks for a golden cage, anc lion of the desert will answer you with a roar of liberty."

A new Congress, recently elected, convened in this last month, and its first action was to elect the author of the a extracts President of the Chamber of Deputies. And in r to the address of the President of the Republic, this ge man took occasion to refer to the action of the previous gress in rejecting the American charter, claiming that su quent events had shown the wisdom of that action. If he resents to-day as fully the spirit of the present as he did of the last Congress, and there is every reason to believ does, the hope of favorable, or of any legislation, for a rail to the American border must be postponed at least two y if not indefinitely.

But it would seem that by the action of the last Cong a very important obstacle has been placed in the way of construction of a railroad to the American frontier. Afte defeat of the American charter referred to, the Congress ferred upon the Executive the power to make contracts the Governors of States, or other authorities, for the cons tion of railroads within their respective limits. Under authority, the Federal Government has made thirteen diff contracts and charters, and pledged Government subs thereto. These charters cover the most important and v ble portions of the route to the frontier of the United St It would be a source of congratulation, and not of regre know that the Mexican authorities themselves had undert the whole, or an important part, of this great work, if t was any assurance that they would carry it forward to suc

ful completion. An intelligent Mexican engineer, in reporting to the present Congress, under date of the 17th ultimo, upon these charters, says that the most successful railroad construction ever accomplished by a Mexican company, has been the building of one league (2⅝ miles) in twelve months, and that, under the present auspices, within fifty years one may be able to go by rail from this city to Queretaro, (150 miles); and he pathetically adds: "We ourselves want to go; we do not desire to reserve that blessing for our grandchildren!" So that even if it should prove possible to obtain a charter from the Mexican Congress, without the objectionable features which every administration and every Congress has, for years past, insisted upon; still it would be necessary to negotiate with the Governors and Legislatures of the different States, to buy up or get out of the way the charters referred to.

3d. Let us inquire what aid Mexico can give by way of subsidy to the construction of an international railroad.

I take it for granted, (1st.) that the capital to build such a road must come mainly from abroad; and (2d) that no road can or will be built without a subsidy in some form from the Government. I will have occasion to show in another part of this paper that Mexico is so impoverished by its long series of revolutions as to be utterly unable, of itself, to undertake any great work of public improvement; and it is a fact recognized by all intelligent Mexicans, that the capital for a railroad to the United States must come from or through our country.

A subsidy is necessary to induce any responsible company to undertake the enterprise. This might be asserted as a general principle, but it is especially the case in this instance, as the road must pass through long stretches of desert and unpopulated country. And after it is completed, it will be some years before it will pay much, if anything, beyond running expenses, as all the trade along the line has to be created, and the Mexicans are not hasty in conforming to new methods. The experience of the only line of railroad now completed in the country fully confirms all these assertions. The Mexican Railway, connecting the Capital with the principal sea-port, and running through one of the most populated and the richest

part of the whole Republic, and a comparatively short line, has never been able to pay more than five per cent. upon its capital (while the greater part of the bonded and mortgage debt of the road bears eight per cent.), even when the Government paid regularly its subvention, or subsidy, and as it has not paid the latter for more than two years and a half, and since the inauguration of the last revolution, it is now only paying three per cent. over its running expenses.

If a subsidy is necessary, what is the probability of obtaining it from the Mexican Government? In the contract made with the International Company of Texas, in 1873, to which reference has already been made, the Government obligated itself to pay the company $9,000 per kilometre (near $15,000 per mile), and to secure the subsidy it pledged eight per cent. of the customs duties of the principal sea ports; and such, in the main, have been the terms it has been proposing to foreign companies for the past ten years. It has, in some cases, either in lieu of, or in addition to the subsidy, offered a certain quantity of public lands; but as it has no public lands set off and determined by surveys, and as it is very probable that the greater part of the country where the public lands are said to be located, are covered by some kind of private titles or grants, as the country has been occupied for more than three hundred years, I do not regard such subsidy as of sufficient value to be considered in the present estimate.

In dispatches which I have recently sent to the Department of State, copies of which, I have no doubt, interested parties could obtain, on application, I have shown that Mexico owes in Europe a bonded and treaty debt with accrued interest, of, say $125,000,000; and in the United States of $2,700,000. For the payment of the European debts the Government has already pledged the *entire available Customs receipts* of its ports; and it subsequently pledged sixty per cent. of a part of the same customs to secure the American debt. It is true, this Government claims that it is released from the European pledge by the action of England, France and Spain in 1861–2, but these nations do not concede that claim; and there is no question but that the pledge to secure the American debt is a bind-

ing obligation. Hence the pledge of eight per cent., or any other rate of the customs receipts, is an imperfect guarantee, whose validity might be disputed by powerful claimants. And on the other hand, the ability of the Government to pay any subsidy whatever is extremely doubtful, and, in case of new revolutions its inability is absolutely certain. It has not paid a single half year's interest on its European debt for twenty-four years; and since 1861 it has not paid according to its promises a single dollar of interest thereon. On the American debt referred to, it has never paid a single semi-annual dividend of interest since the loan was made. Besides, the condition of the National Treasury is such that for more than two years and a half it has not been able to pay the subsidy pledged to the Vera Cruz and Mexico City Railroad Company, and there is now due said company, on that account, near two millions of dollars. The poverty of the Treasury is such that it was necessary to suspend recently the payment of the salaries to the Judges of the courts and the civil employees of the Government. Its straitened condition is shown in the fact that within the past month the Government official newspaper announced that it was forced to appeal to the patriotism of the civil employees, both executive and judicial, to bear with patience the suspension of their salaries, as it had been necessary to send $50,000 to the northern frontier to defray the expenses of a projected campaign against the indians.

With such a state of the foreign credit and of the National Treasury, it is hardly probable that the Mexican Government will be able or disposed to pay $15,000 per mile for building a railroad, which so many even of its intelligent public men believe will eventually result in their national ruin.

Having thus examined the subject of the means of communication with Mexico, I come to the next point of interest to the American merchants, manufacturers and capitalists looking to this country as a new field of enterprise.

SECOND: The tariff, trade regulations, laws and practices to which they will be subjected.

The two fields offered to them are especially those of mercantile business and mining. The first matter to examine in regard to the former is the Mexican tariff on imported goods. Our own American tariff is one, which many of us think badly needs revision, and reduction in important particulars, but that of Mexico is even more protective and prohibitory; and the absence of many provisions of our tariff, by which the import trade is facilitated, will be noted in that of Mexico. The branches of industry for which this country is peculiarly adapted are mining and tropical agriculture; but its commercial legislation has had a direct tendency to oppress mining, and great efforts have been made to encourage manufacturers, for which neither the people nor the country are particularly adapted. And this system will be found to be a great obstacle in the way of a flourishing trade with our country. I have selected from the Mexican tariff a list of some of the articles which the manufacturers and merchants of Chicago and other cities would seek to introduce into Mexico. It will be noticed that measurements and weights are by the French standard, but the figures can readily be brought to our standard, estimating a metre at thirty-nine inches, and a kilogramme at two and one-fifth pounds, which is approximately correct.

MEXICAN TARIFF DUTIES.

Cotton Goods.	$	Cts.		
Domestics, unbleached, sq. metre		09		
Domestics, bleached, sq. metre		16		
Calicoes, sq. metre		14		
Thread, white, kilogramme		60		
Thread, colored, kilogramme		96		
Thread, spool, dozen		14		
Cassimeres and similar woolen goods, sq. metre	1	40		
Carriages, open, and coupes, each	176	00		
Coaches, phaetons, landaus, &c., each	396	00		
Buggies, each	132	00		
Sulkies, each	66	00		
Wagons, each	80	00		
Harness, for carriages, kilog	2	00	Gross weight	
Harness, for wagons, kilog		86	"	"
Furniture, 55 per cent. on invoice and 25 per cent. additional.				
Pianos, kilog		43	Gross weight	
Flour, kilog		10	Net	"
Wheat, kilog		04	"	"
Barley, kilog		03	"	"
Rice, kilog		07	"	"
Hops, kilog		18	"	"
Hams, smoked, kilog		24	"	"
Meats, salt and smoked, kilog		24	"	"
Lard, kilog		18	"	"
Butter, kilog		24	"	"
Cheese, kilog		14	"	"
Candles, tallow, kilog		08	Gross	"
Candles, stearine, kilog		19	"	"
Candles, parafine, kilog		38	"	"
Crackers, kilog		12	"	"
Canned fruit, cans included, kilog		50	Net	
Canned meats and fish, cans included, kilog		72	"	
Pickles, jars included, kilog		48	"	
Soap, toilet, kilog	1	15	Gross	"
Soap, common, kilog		30 to 80c	"	"
Glass, common, kilog		17	"	"
Gunpowder, kilog	2	00	"	"
Nails of all kinds, iron, kilog		12	"	"
Tools, iron, steel or wood, kilog		19	"	"
Clothing, ready made, all kinds	1	32	per cent.	
India rubber clothing, kilog	1	43	Gross weight	
India rubber shoes, &c., kilog		43	"	"
India rubber cloth, for tables, kilog		29	"	"
Oil cloth for floors, kilog		29	"	"
Leather boots, yellow, dozen	16	50		
Leather boots, calf or morocco, dozen	27	00		
Leather shoes, common, men's, dozen	7	00		
Leather shoes, fine, men's, dozen	16	50		
Leather shoes, fine, women's, dozen	17	00		
Leather shoes, common, women's, dozen	5	50		
Carpets, two and three ply, sq. metre		80		
Carpets, Brussels, sq. metre		95		
Carpets, velvet, sq. meter	1	40		
Cocoa matting, kilog		16	Gross weight	
Vinegar, barrels, kilog		05	Net	"
Vinegar, bottles, kilog		10	"	"
Whisky, barrels, kilog		33	"	"
Whisky, bottles, kilog		38	"	"
Beer, barrels, kilog		10	"	"
Beer, bottles, kilog		20	"	"
Petroleum, (cans included), kilog		09	"	"
Rosin kilog		25	Gross	"
Tar, kilog		03	"	"
Salt, kilog		05	"	"
Potatoes, kilog		02	"	"
Onions, kilog		02	"	"

There is on the tariff a free list, which embraces agricultural implements, engines and machinery including all kinds of mining machinery, tools and supplies.

An examination of the above figures will show the importer that at the entrance into this new field, he is met by a tariff which on many articles, is much above the cost price, and in some instances, would seem absolutely prohibitory on the classes of goods which he desires most to import. But when this tariff is paid the costs and charges only commence. Formerly the Federal Government had four or five additional duties, but these have all been consolidated into the tariff which is the cause of its high rate, and one other duty paid to the Custom House in this city, of two per cent. on the tariff rate. But there exists in this country the evil system of municipal and State duties on foreign goods. So that when they pass through the Custom House and pay the tariff another tax is laid upon them by the municipality when they leave Vera Cruz; and when they are brought into another State they have an additional import tax to pay the State. This latter tax, being levied by the State Legislature, varies with each State. In the Federal District, this city, it is only two per cent. of the maritime tariff, but in the adjoining State of Hidalgo, it is twelve and a half per cent. of that tariff, and in others it is as high as twenty-five per cent. This system of interior customs, besides being burdensome pecuniarily, is extremely annoying to the merchant, as, in every instance, the goods must pass through the local Custom House, be opened and examined, and the fees for handling, &c., paid. It is an evil recognized and acknowledged by the enlightened public men of the country. There is an express prohibition against it in the Federal Constitution, and the Supreme Court has pronounced against it; but "necessity knows no law," and gives very little heed to the demands of political economy or of trade. The States and municipalities are always hard pressed to raise enough money for current expenses, and in trying to solve this problem they find foreign merchandise one of the taxables most easily reached, and hence the State Legislatures continue to set at defiance the Constitution and Supreme Court of the country.

But this is not the only obstruction, after the payment of duties, to the free access by the foreign merchant to this market. This Government has never adopted any bonded system for the introduction of goods. Notwithstanding this city is the center of the principal wholesale trade of the entire central portion or table land of the country, and is connected with its sea-port by a railroad, there is no provision for bringing the imports to this city and passing them through the Custom House and paying the duties here. It has been the intention of the Government, ever since the railroad was opened, to adopt measures for this purpose. And as a preliminary step, it required the Railway Company to construct a mole at Vera Cruz, at an expense of near $300,000, to enable the goods destined for this city to be transferred directly from foreign vessels to the cars; and notwithstanding the mole has been finished for more than three years, it has never yet been used, for the reason that the people of Vera Cruz (a town of 12,000 inhabitants,) regard it as injurious to their local interests. Hence, rather than displease a few hundred commission merchants, stevedores and lightermen, who might have a pretext to "pronounce," the old system stands, and more than half of the nation and the foreign merchants must pay them heavy tribute. All foreign goods must, therefore, be regularly passed through the Custom House at Vera Cruz, to which only twenty-four hours are allowed to verify the invoice and manifest, and involves the employment of a commission merchant, double handling of goods, opening and closing of packages, and various detailed expenses. But this is not all. When safely through the gauntlet of the Vera Cruz Custom House and commission merchant, the duties paid and the Goods shipped to Mexico City, upon their arrival here they have to again go through the Custom House in this city, the packages be subjected to another opening, the local tax to be paid, and more charges for stamps, stevedores, &c.

In order to convey to your Association an idea of the various taxes and charges to which foreign goods are subjected, I have caused to be prepared, by experienced importers in this city, an itemized list of the charges which are attached to actual shipments, from the time they leave New York till they reach the warehouse in this city and are ready for sale, as follows:

Calculation of cost in Mexico City of one tierce weighing gross, 325 pounds; net, 300 pounds, containing 300 pounds sugar cured hams.

New York cost 300 lbs. @ 11c	$33 00
New York expenses, such as cartage, Consular invoice, ($4 00 gold), manifest, etc., average 5 per cent. on large shipments	1 65
Freight from New York to Vera Cruz @ 1c per lb., payable in New York	3 25
Exchange on New York, $37 90 @ 18 per cent	6 82
Import duties in Vera Cruz 138 kilos. @ 24c per kilo	33 12
Municipal duties in Vera Cruz, $1 03 per every 400 lbs	84
Lighterage and handling from steamer to warehouse, $1 00 to $1 50 per every 200 lbs	1 63
Maritime brokerage, 2 per cent. on freight, ($3 25)	07
Opening and closing barrel	50
Additional charges in Vera Cruz for stamps and cartage to railroad station, etc.	1 50
Commission in Vera Cruz, 2 per cent. on $70 66	1 41
Exchange on Vera Cruz, 1 per cent. on $39 06	39
Railroad freight from Vera Cruz to Mexico, 140 kilos. @ $54 32 per ton	7 60
Local duties in city of Mexico, 2 per cent. on Federal duty, $33 12	66
Local expenses in City of Mexico, cartage from depot, expenses in Custom House, etc	75
	$93 19

One dollar in New York equals $2 82 in Mexico.

Net cost of one pound ham in the City of Mexico, thirty-one cents.

CALCULATION OF AN INVOICE OF NAILS.

Ten kegs 4½ inch cut nails—gross, 1,060 lbs.; net, 1,000 lbs, @ 2¼c, cost in New York	$22 50
New York expenses, Consular invoice, cartage, &c	1 32
Freight from New York to Vera Cruz, 1,060 lbs. @ 1c	10 60
Exchange on New York, 18 per cent. on $34 42	6 36
Import duties in Vera Cruz, 480 kilos, @ 13c	57 60
Municipal duties, lighterage, cartage, stamps, opening and closing of kegs, maritime brokerage	11 20
Commission in Vera Cruz, 2 per cent. on $91 30	1 83
Exchange on Vera Cruz, 1 per cent on $70 63	71
Local duties in Mexico, 2 per cent. on import duties	1 15
Local charges in Mexico, cartage, &c	1 20
Freight from Vera Cruz to Mexico City	27 17
	$141 64

One dollar value in New York equals $6 29 in Mexico City.

Net cost of one pound of nails, $14\frac{16}{100}$ cents.

Net cost of 100 pounds of nails, or one keg, $14 16.

Omitting detailed charges, which have been carefully calculated as per above, I give the cost of the following additional articles imported from the United States, and with the items in the shipments already given, calculations can be made on any of the articles in the foregoing tariff list:

One barrel of flour, New York cost	$ 6 00
Total charges	23 03
Cost in City of Mexico	$29 03

One dollar in New York costs $4 84 in Mexico.

One box or barrel crackers, New York cost	$ 5 50
Cost in City of Mexico	20 66

One dollar in New York costs $3 64 in Mexico.

One barrel salt, cost in New York	$ 2 00
Cost in City of Mexico	20 40

One dollar in New York costs $10 20 in Mexico.

One barrel Milwaukee beer (cost on board steamer in New Orleans)	$13 00
Cost in City of Mexico	35 61
Furniture, wardrobe bed, New York cost	$121 15
Cost in City of Mexico	249 10
Oil cloth, 8 quarters wide, New York cost per square yard	45
Cost in City of Mexico, per running vara, (33 inches)	$3 08

Railroad freight, the important item of charges next to duties, is as follows, (distance 263 miles) per ton: 1st class, $76 05; 2d class, $65 18; 3d class, $54 32. Freight by passenger trains, per ton, $97 77.

A hasty study of the foregoing figures as to duties and charges will not fail to convince the merchants and manufacturers of the United States that the articles which they most desire to export to Mexico must be *luxuries* in this country, on account of their high price. This would be the case, with such charges, in almost any country, however rich it might be, or however high the price of labor; but it is especially so here where there is so much poverty. It would be a large estimate to place the number of inhabitants of Mexico, who would be consumers of goods imported from the United States, at one million souls, with the present duties and charges.

Of the articles on the free list, engines and machinery, especially for mining, and agricultural implements, might be largely imported from the United States, but for two reasons.

In the case of machinery, the cost of transportation is so enormous that the demand is necessarily limited, and must continue to be until means of communication are facilitated and cheapened. To the railroad freights to this city must be added the still higher charges to the interior, over roads which, owing to revolutions and bankrupt treasuries, are almost completely abandoned. In the case of agricultural implements, their use is little understood and the laborers are very slow to accept them. The pattern used three thousand years ago on the plains of Asia, is that which generally prevails in this country. But time will gradually create a demand for the improved styles.

Illinois and adjoining States are the natural places of supply for the entire Mexican Gulf coast for provisions and breadstuffs, and, but for the tariff, a large trade could be sustained in flour, bacon, lard, &c. But the figures on flour, which I have given, and the duties on meats and lard, show that the tariff is virtually prohibitory. Notwithstanding this city is located between, and only thirty or forty miles from, two of the best wheat producing valleys in the world, and not more than sixty miles from excellent hog producing regions, Chicago could successfully compete with them for the consumption of this city in flour, smoked meats and lard, even with the high freight and charges, but for the tariff. The price of wheat, in this city, in large quantities, ranges from $1 60 to $2 40 per bushel; and the retail quotations are: Flour, 25 pounds, $1 75; hams, sugar cured, 50 cents per pound; lard, 25 cents per pound.

Another tax upon foreign trade has doubtless been noticed in the items of charges given in the rate of exchange. The business of this country is exclusively carried on in a depreciated currency—silver; so that to all prices and quotations here the cost of exchange must be added, which, for some time past, has ruled at eighteen per cent. on New York. This is made up of ten per cent. for discount on silver, five per cent. for Government tax levied on the exportation of this metal, and three per cent. for freight, insurance and other charges required to place it in New York.

There is another serious impediment to the establishment of an extensive American trade with Mexico, and that is the

system of long credits in universal practice here. The interior merchants who come to this city always buy on credit, which is usually fixed at eight months, with no interest added, and often runs to ten or twelve months. It is not so serious an objection to the German importer, who has good connections and credit in Europe, where he can command unlimited capital at very low rates of interest and long time; but to the American merchant, who must conform to the shorter credits and higher rates of interest prevailing in the United States, it will be found a serious objection. There is also an inconvenience arising from the want of the free transportation of money from the interior to this city. The currency being entirely silver, is bulky, and, owing to the insecurity of the roads, can only by safely sent in the "conductas," or large trains escorted by strong guards of Federal soldiers. And these "conductas" only come from Zacetecas and intermediate cities, say every three to five months; and the merchants must await their arrival to receive remittances.

I have referred to the fact that there is no bonded system by which imported goods can be brought to this city and passed through the Custom House and duties paid here. Another fact which it is also important for the importer to know is, that there is no bonded warehouse system under the Mexican tariff laws; and hence all goods must pay the duties when imported, one month being the limit allowed for adjusting all questions of difference and payment.

I have made the calculation of duties and charges on American goods laid down in this city only. But as already stated, this is not the end of Custom Houses and duties. When the goods are sold to go into a State in the interior, they must be sent out of this city under very much the same formalities with which the Consular invoice, &c., attach when shipped from New York, and when they reach the State or city where sold, they have to go regularly through the interior Custom House, be subject to opening of packages, examination, handling, &c., and duties, charges, stamped papers, &c., to be paid.

But I have probably been sufficiently explicit on the first part of this second general head as to tariff, charges, &c., so far

as relates to merchandise. Let us now examine the second branch of business which is presented to American enterprise and capital.

MINING DUTIES, CHARGES, ETC.

Although not an expert, yet from the testimony and experience of American mining engineers and practical miners, I am satisfied that this country offers to American capitalists a rich and profitable field of investment in silver and gold mining, if the two essential requisites of expenses and protection should prove favorable. The question of protection will be considered under the third general head of this paper. This subject of mining, as an investment for American capital and the taxation attending it, was discussed by me at some length in some remarks which I made before the Chamber of Commerce in New Orleans, in 1875, and as the state of affairs relating to mining has not materially changed since that date, I can best quote from that address: "The chief source of the wealth of Mexico consists in its mines, mainly of silver. Throughout almost the entire Republic these exist, their richness has been known to the world for more than three centuries, and they are as yet apparently inexhaustible. As already stated, the total exports of all articles for the last year reported over $31,600,000, of which amount $25,052,959 were silver and gold, the latter less than $1,000,000." [*Note.*—The exports for 1876–7 decreased to $28,700,000, and that of silver and gold to say $23,000,000.] "The general report as to this interest is that it is not at present in a very flourishing condition, and that the working results are not very satisfactory or profitable, although this is subject to some exceptions in special localities. In general the country has not availed itself of the new methods and improvements in mining adopted in the United States, and as a consequence it labors under disadvantages in the amount of yield and profit in working. But the great hinderance to successful mining has been in the onerous taxes which the local and Federal Governments impose upon it, and the expense of getting the silver

bars and coin out of the country. In 1868 the taxes and costs of transportation upon silver sent to the Bank of England from Mexico City, or rather from Real del Monte, (the nearest mineral region and one of the most extensive in the country) were found to amount to twenty-five per cent., of which over twenty per cent. was local and Government taxes. This was so manifestly oppressive that a commission was appointed by the Government to investigate the subject, and this commission proposed, 'as the sole means of rapidly raising this branch of industry to the grade of prosperity, of which it is immediately susceptible, the absolute exemption of gold and silver from all duties.' This wise recommendation has been, in part, but, unfortunately, only in part, acted upon. From a careful examination of the present condition of the restrictions and charges upon the exportation of silver, I find it costs, to place the silver produced at the Real del Monte mines, in the Bank of England, or in New York, thirteen and one-half per cent., and from Guanajuato, or other points in the interior, from fourteen to fifteen and one-half per cent. Of this sum, from ten and one half to twelve per cent. are local and Government taxes and charges.

The necessities of the National Treasury have, to a great extent, led to the adoption of these heavy duties, as its finances have continued, through so many years of civil disturbances, in a deplorable condition, and mining, being the leading source of wealth and most available for taxation, has been made to contribute liberally to carry on the Government, both of the regular administration as well as of the insurrectionists. But with the return of peace and a stable Government, intelligent public men recognize the bad policy of taxing the life out of this important branch of industry, and as prosperity develops an ability to provide revenue by other methods, it is most probable these burdens upon mining will be greatly lightened."

It is to be greatly regretted, in the interest of Mexico, that these hopes of relief to this important industry have not, up to the present time, been realized. The revolution which occurred in 1876, disappointed the expectations of an era of peace, overthrew the Government, and has, on account of the

condition of the national finances, prevented the modification of taxes and the repeal of the export duty on silver. Sr. Romero, the intelligent Minister of Finance, has urged, at every succeeding session of Congress, the repeal of this duty, and shown its oppressive influence upon the country, but to no purpose. I give below the table of charges on silver, prepared by me in 1875, and they have undergone no material change:

Statement of the charges on silver produced in the mines near Mexico City, (say in the Real del Monte district,) from the mine to the Bank of England:

	Per cent.
Freight from mine to mint of Mexico, including escort	75
Charge for converting bars into dollars, which is made whether bars are coined or not, (charge 4.41 per cent.)	$ 4 50
Further charges for assay, municipal duties, loss on silver in bad mining, etc.	1 00
Agents' commission in Mexico	25
Boxes, packing and petty charges, including stamps, &c	12½
Freight from Mexico to deck of steamer	50
Export duty	5 00
Ship freight to London	50
Insurance, Mexico to London	62½
Agent's commission in London, ¼ to 1 per cent	25
	$13 50

To which must be added as further charge on bars from the interior—

A circulation duty charged by certain States, in some 1¼ per cent., in one up to 1⅞ per cent., and another freight costing from ⅛ to 1 per cent., say an average of	2 00
Average charge on bars from the interior	$15 50

The above does not include local taxes on mines or reduction works.

Gold pays only one-half per cent. export duty. Bars, part gold and silver, are subject to very high charges for separating, if that is done in Mexican mints. As this charge varies with the percentage of gold, it is impossible to estimate the exact loss to the Mexican miner, but it is heavy. If done abroad the miner loses the expense of sending it, insurance, etc., and three months' interest.

The Mexican mints only separate gold when it contains sixteen grains of gold per mark (eight ounces) of silver. In Eng-

land above four grains is extracted. Some Mexican mints are not provided with the means of separating gold and silver. In consequence they mint dollars that contain gold. Guadalajara and Durango dollars are about two per cent. better for export than Mexican or Guanejuato dollars on this account. Oaxaca dollars four per cent better.

Charges on silver brought over	$15 50
As most Mexican silver contains gold, for reasons given above, one must estimate the loss on the whole production of the precious metals at at least	3 00
Estimated loss on production between duties collected and heavy mint charges, etc., without taking local taxes into account	18 50
Instance—The State of Hidalgo has, by a decree, assumed possession of one twenty-fourth share in each new mine commenced after date of the law; that is, they will take one twenty-fourth of the profits	4 25

The local taxation of the State of Hidalgo (Real del Monte district) has recently undergone some changes. One of the thirteen railroad contracts, to which I have referred, was made with the State of Hidalgo; and the Legislature, in order to raise money to inaugurate that enterprise, levied an additional tax so burdensome on the mining companies, that they all resolved to suspend their works and close up their mines entirely. As this would have resulted in a revolution, and was so manifestly oppressive, the Governor has caused a modification of the tax, and compromised with the leading companies by the payment of a round sum by them. So that I can not give the exact condition of the local taxes in that State at this date. This incident illustrates some of the annoyances to which mining in Mexico is subjected.

Trusting that the foregoing facts and figures, in reference to merchandise, imports and mining, may prove of some value to those of my countrymen, who are seeking information as to this country as a field for American enterprise, I pass to the consideration of the third and last part of this paper.

THIRD.—The protection afforded to persons and property in Mexico:

Commerce flourishes only under the guarantees of peace and order, of stable Government and the reign of impartial law, which affords safety to the individual and recognition of the sacred rights of property. I need not impress this declaration upon the business men of Chicago, who know that these conditions are the first and essential requisites to trade and industry. It will, therefore, avail nothing how I may have answered the first two questions, as to the means of communication and trade regulations, if I can not give you favorable and satisfactory information in regard to this third point. And as it is the most important subject to be treated, so also is it the most delicate. But as you desire, as practical business men, to have facts and realities, and not theories and generalities, I must frankly give you the state of affairs, as my residence in this country has shown it to me, so far as the objects of your contemplated enterprise in opening up trade with the country is concerned.

The subject of protection to persons and property, relating especially to trade and commerce, necessarily compels a reference to the revolutionary condition of the country. I will not attempt a historical sketch of the many changes of Government since the independence. Its revolutionary condition is known to the world, and lamented by all friends of Republican institutions. Its own people recognize this as its greatest evil and the chief cause of its many disasters and embarrassments. I only design to refer to the revolutionary state of the country in its commercial aspects. And this will lead me to examine, 1st. Into the effects which the revolutions have had upon the resources of the country, and upon its capacity to sustain a large commerce with other countries; 2d. The public security and the enforcement of law and order; and, 3d, the derangement

of business and the incentive and facility to contraband trade which revolutions afford.

No person can visit Mexico without being struck with its marvelous natural resources, its fertility of soil, its genial climate and its capacity to sustain a large population and extensive commerce. The motto of its Patron Saint is a recognition of these gifts and capabilities: "*The Lord hath not dealt so with any nation.*" This natural richness of the country and its admirable location between two oceans, has led to a prevailing extravagant idea in the United States of the present extent of its foreign trade, and it is held out to the enterprise or cupidity of our merchants as a rich prize, which, to possess, they have only to come down and readily appropriate. The test of a nation's capacity for foreign commerce is its export trade. This item has been recently reported in the United States as sixty or seventy millions of dollars. It has not, for many years, exceeded thirty-one millions, and its average has been about twenty-seven millions. The Minister of Finance, in his last report, gives, from the official returns, the exports for the fiscal year ending June 30, 1877, (the last reported) as $28,772,194 24. If we compare these figures with the exports of the other Spanish American countries, the West India Islands or the British colonies, we will find that Mexico stands *at the very foot of the list.* From the latest statistics available in this city, which are, I have no doubt, substantially correct, I have prepared a table (omitting three South American Republics with scant sea coast), showing the population and exports of the countries named, and the rate of foreign trade per inhabitant, as follows:

	Population.	Exports.	Per Capita.
Mexico	9,000,000	$ 28,772,194	$ 3.19
Central America	2,600,000	16,500,000	6.34
Cuba	1,350,000	90,000,000	66.60
Porto Rico	615,000	8,500,000	13.80
Hayti	512,000	8,591,000	15.00
San Domingo	136,000	690,000	5.00
Jamaica	500,000	6,200,000	12.40
Columbia	2,800,000	9,984,000	3.50
Venezuela	1,800,000	17,300,000	9.60
Peru	2,500,000	35,000,000	14.00
Chili	2,068,000	37,771,000	18.20
Argentine Republic	1,800,000	45,000,000	25.00
Uruguay	450,000	16,000,000	35.50
Brazil	10,161,000	107,300,000	10.50
Australia	1.939,000	182,950,000	94.30
New Zealand	440,000	28,379,000	64.50

Of all the countries in the above list, there are probably not more than two which have greater natural resources and advantages than Mexico. Cuba has a fertile soil and great sea coast facilities, but it does not possess the inexhaustible precious metals of Mexico. And so of the others which may be named, Mexico will be found to have some important natural advantages superior to any one of them. It can produce all the coffee consumed in the United States. It has a greater area of sugar producing lands than Cuba and of equal fertility. Its capacity for the production of vegetable textiles is equal to any country in the world. Almost all the tropical dyes and drugs, and all the fruits of the world can be cultivated successfully. Its varied climate admits of the growth of all the cereals of all the zones. Its ranges afford the widest scope and the best conditions for wool and stock raising. And most of all, skillful American mining engineers, who have examined the matter, claim that its mineral wealth, yet hid away in the recesses of its mountain ridges, is superior to that of California, Nevada, or Australia.

If all this, or the half of it, is true, why then does Mexico stand at the very foot of all these nations in foreign trade? There is only one answer to this question — its revolutionary condition. This places itself in the way of all national progress, of all enterprise, of all business and economic reforms. It is this which has destroyed its foreign credit; this, more than anything else, which makes it impossible to build railroads; which prevents the necessary reforms in the tariff and interior trade regulations; which exhausts the National Treasury; and which has brought the mass of the people to poverty and sapped their energies.

I have referred to the exalted ideas in the United States of the magnitude of the possible trade with this country. The people who entertain this idea forget, or do not know, that about two-thirds of the entire population are Indians. In the present depressed condition of almost all industrial pursuits, these people have little employment, so that the majority of them do not work half the year. The price of common labor, outside of a few cities and industrial centers, will not average more than two reals (25 cents) a day, and in many parts of the country it does not exceed one real (12½ cents). So that, considering the idle and feast days, the mass of the working people of this country do not receive 12½ cents per day. The necessary consequence is, that with the genial climate and fertile soil, a few cents buy the daily rations of beans, tortillas (corn cakes) and peppers upon which they mainly subsist, and a few yards of cotton cloth furnish their wearing apparel for a year. It does not require a skillful calculator to estimate the amount of foreign commerce needed by this portion of the population. There are single counties in the United States which consume more articles of foreign trade than the whole Republic of Mexico.

Another effect of the revolutionary condition of the country brings us to the next point. 2d. The general security and the enforcement of law and order.

The distinguished gentleman who made the address of welcome to Sr. Zamacona, at his reception in your city, scouted the charge of the insecurity of life and property in this country

as a "slander," and styled the authors as "malicious detractors." I will not deny his assertion that life is as safe in the City of Mexico as in Chicago, for there is a good police system in this city, and the order and quiet of its streets will compare favorably with that of other civilized cities of the world. But the manufacturer and merchant of Chicago hope, in following the suggestions made at said reception, to have not only this city, but the whole of the Republic as a field of commercial enterprise. At the risk of subjecting myself to the serious charge referred to above, I feel it my duty to cite some facts, which have come under my notice and which are well known in this country.

Not a single passenger train leaves this city or Vera Cruz, the termini of the only completed railroad in the country, without being escorted by a company of soldiers to protect it from assault and robbery. The manufacturers of this city, who own factories in the valley within sight of it, in sending out money to pay the weekly wages of the operatives, always accompany it with an armed guard; and it has repeatedly occurred, during the past twelve months, that the street railway cars from this city to the suburban villages have been seized by bands of robbers, and the money of the manufacturers stolen. Every mining company which sends its metal to this city to be coined or shipped abroad, always accompanies it by a strong guard of picked men; and the planters and others, who send money or valuables out of the city, do likewise. But if these things occur within sight of the Capital, it is natural to suppose that they are more frequent in distant parts of the Republic. The principal highways, over which the diligence lines pass, are constantly patrolled by the armed rural guard or the Federal troops; and yet highway robbery is so common that it is rarely ever noticed in the newspapers. A very recent case may be cited, by way of illustration. The Consul General of Belgium, resident in the United States, has, during the past few months, been making a visit of observation through this country, by order of his Government. In all his journey to the interior States he was furnished with a military guard. But in passing through one of the most wealthy and densely populated States

of the Republic, the diligence, in which he was traveling, was assaulted by a band of mounted highwaymen; his guard ran away without firing a shot; the Consul General and his fellow-passengers were robbed of the valuables on their persons and their baggage; they were sent on to the next station without enough money to buy their dinner; and on arriving there they learned that the robbers were a part of the regular road guard, which had deserted the service and were using the Government arms and horses to ply a more lucrative avocation, especially in the present depleted state of the public Treasury. One of the commercial indications of the insecurity of communication between this Capital and the other cities of the Republic, is found in the rate of interior exchange, which, by the last quotations (a fair average), was as follows: Chihuahua, 8 to 10 per cent.; Acapulco, Durango, Guadalajara, Zacetecas, Morelia, 5 to 6 per cent.; Leon, Guanajuato, Monterey, and Oaxaca, 4 to 5 per cent.; Cuernavaca and Toluca, 2 to 2½ per cent.; Vera Cruz, ½ to 1 per cent.

These matters are not mentioned by me by way of reproach of this people, who recognize and lament them more than foreigners, but to show the deplorable effects of revolution. It is almost impossible for a Government, which holds its sway by an uncertain tenure, which must be constantly on the alert for a new revolution threatening its existence, and with a scant Treasury, to suppress this brigandage; and the present is not more remiss than, perhaps not so much so, as former Governments. But such information is necessary to be had by the foreign merchant, who is seeking to know the state of public security. And I regard it as my duty to go still further, and call your attention to the facts which have been published by our own Government. Where so much robbery and lawlessness occur, it is natural to suppose that American merchants, miners and travelers must some time be the victims. It has, therefore, been my frequent duty to complain to the Mexican Government in regard to the murder of American citizens, in some instances involving the alleged complicity of the local authorities, and in most cases their failure or indifference as to the punishment of the murderers. *Within fourteen months* after

my arrival at my mission, I found it necessary to address an energetic note to the Mexican Minister of Foreign Affairs on this subject, from which, as President Grant caused it to be published to the world, there is no objection to quoting, as follows: "During the short time that I have been in charge of this Legation, I have been officially informed by the Consuls of my Government, resident in different localities of the Republic of Mexico, of the death of thirteen American citizens by violence and outrage, some of them murders of the most horrid character and revolting to our common civilization. In addition to these I have also received official intelligence of several brutal assaults and personal outrages upon American citizens, not resulting in loss of life. * * * I am sorry to state that up to the present date I am not aware that there has been one single punishment inflicted for all this long list of murders and personal outrages. It is, therefore, with the most sincere regret, and under the most urgent conviction of the duty which I owe to the dignity and honor of my Government, and to the safety of the lives and persons of American residents and travelers in this country, that I earnestly remonstrate against the apparent indifference and negligence of the local authorities to punish crimes and injuries inflicted upon American citizens by Mexicans, and call upon the Federal Government of Mexico to use, in an effective manner, its influence and its authority to protect the lives of my countrymen, and to punish those who murder and maltreat them." (See Foreign Relations of the United States, 1874, pp. 757–8). Since that note was written, more than four years have passed, and the list of murdered Americans has considerably increased, but up to the present date I have been informed of permanent punishment having followed in but *a single case*, and that *where a Mexican was murdered* at the same time.

There is still another insecurity to property, which has come to my official knowledge and which is known to the public, to which I must refer, in order to give you a more perfect idea of the kind of protection extended to American merchants and capitalists in this country. Murder and personal outrage are bad enough, but, while it may appear strange, it is

nevertheless true, that capital and property are more essential to protection than life itself. A man will often risk his person, where he will not take his money or effects. Even though American citizens are brutally murdered by the score, and no punishment follow, as the business men who assembled in Hershey Hall do not propose to abandon their comfortable homes in Chicago, and its beautiful suburbs, they may be interested in knowing what protection will be extended to their capital invested in mines, or to their merchandise sent into the interior of Mexico for sale. I can best inform them by citing instances which have taken place and which have been published by our Government and the American newspapers. The records of this Legation, and of the State Department, are burdened with complaints of American merchants, miners and traders, for the illegal seizure and confiscation of their money and goods by the Mexican Federal and State authorities, by military chiefs and local officials, by Government troops and revolutionists, without, in almost any instance, the proper redress being given. But in order not to be tedious, and to confine events to a recent period, I will limit the cases to those which have occurred during the last revolution and under the present administration of Mexico; and will embrace widely separated parts of the country.

Soon after General Diaz "pronounced" against the late Government of Mr. Lerdo, the State of Chihuahua became the scene of many petty strifes of the Diaz and Lerdo armed factions. Towns and villages often changed military owners. When the revolutionists gained possession, their first act was to levy a "forced loan," as they were otherwise without money to carry on their revolution. As the Government, or Lerdo forces, were at unusual expense in combatting the revolution, their exchequer also became exhausted, and they had to resort to "extraordinary contributions." In this way some American merchants of that State were required to pay to the different parties as many as *thirteen* separate and distinct forced loans within six months! These forced loans almost exclusively fall upon the merchants and mining companies, as the levy must be paid within a few hours, or at most a few days, and they who have

ready money or marketable effects are those called upon. The complaint also of all foreign merchants is that they are the principal sufferers, as the Mexican merchant has little difficulty in either escaping the payment or "negotiating" with his fellow citizen, the military chief, on very advantageous terms. I give the experience of one American banker and mining capitalist in Chihuahua, during the recent revolution, as a sample of the rest. The Diaz partisans captured the City of Chihuahua and held it for a few weeks, in the fall of 1876. Their first act was to levy a forced loan, and $3,500 was apportioned to the American banker as his share. He was at the time absent from the city on his hacienda (plantation). An armed guard was sent to collect it. As he had already paid considerable sums for the same purpose he thought that he had contributed his full share, and therefore declined to pay. The guard made him a prisoner, and started with him to the city; but meanwhile the Lerdo forces had recaptured the place, and he was, instead, carried off to the mountains, and notice was sent to his family that $50,000 would be required for his ransom. He refused to advise his family to pay so dearly for his release, so he was carried around with this roving band of revolutionists, from one mountain fastness to another, as they were driven about by the Government troops, compelled to sleep on the bare ground in the cold mountain air, several times exposed to the fire of the enemy and in imminent peril of his life; until after thirty days of hardships, he was finally released upon the payment of the original sum demanded, $3,500. This American citizen, having suffered to the amount of about $50,000 for forced loans and military exactions of various kinds, by the last revolution, and having failed to obtain any recognition of his claim from the local authorities, made the journey to this city, a distance of over twelve hundred miles overland, at the beginning of the present year, to make a direct appeal for redress, to the general Government. But after having spent five months in this Capital in vain efforts, he returned to Chihuahua without any settlement.

In the fall of 1876, while the tri-angular contest for the Presidency was going on in this country, an American sailing

vessel cleared from San Francisco with a cargo for Mexican ports. The first stopping place was Mazatlan, but in view of the revolutionary condition of the country, she had instructions not to enter the harbor until advices were sent to her by the consignee on shore, as to the peace of the city. She arrived off the harbor just at the time that the place had been surrendered by the Lerdo forces to those of Iglesias, and, while there, were in turn threatened by those of Diaz. Having signaled her arrival, she stood out to sea to await instructions. But her movements had been noticed by the Custom House officials, who, fearing the city might change hands before *they* had an opportunity to collect the duties, sent a steam gun-boat which, with one other, constitutes the Mexican navy on the Pacific, to seize and bring her into port at once. The gun-boat made her lay to by a cannon shot across her bow, and, contrary to the protest and remonstrance of the Captain, with the American Flag flying from her mast-head, on the high sea, she was seized and brought, forcibly, into the harbor, and her cargo unloaded in good season for the *interregnum* Government to receive the duties. Against all these proceedings both the Captain of the vessel and the American Consul filed written protests. When a demand for reparation was made by our Government, that of Mexico, after obtaining a report of the case from the local authorities, answered that it was informed that the Mexican gun-boat, while navigating the coast, found the American vessel *becalmed* outside of the harbor of Mazatlan, and at the Captain's request, and as a special favor to him, towed the vessel into port! And this is the only redress ever rendered for the seizure of an American vessel flying the national flag on the high sea. Within a month after that event, another American vessel was seized at the same port, on an unwarranted pretext, and, notwithstanding the Treasury Department in this Capital, which has supervision of the subject, ordered its unconditional release, the cargo, destined for foreign ports, was landed and held as confiscated; and a similar occurrence took place a few months afterwards; and all redress has been refused for these outrages upon our commerce.

Last year, the Diaz revolutionary chief, in the State of Guerrero, out of an avowed spirit of revenge, seized and attempted to confiscate the personal property and three valuable estates of an American merchant, of Acapulco. The American Consul, at that port, protested against his proceeding, and was immediately thereafter arrested by an armed band of soldiers, in a public street, and thrown into prison, where he was kept for two weeks, with the object, as the revolutionary General said, of frightening the Consul into using more polite language towards him. The Consul was arraigned in the court constituted by the General, upon an unfounded charge, and completely exonerated by his own Judge. The Mexican Government restored the property of the American citizen, but has emphatically refused to render any redress, or acknowledge any accountability for the arrest and imprisonment of the Consul.

Crossing the Continent from Acapulco to the mouth of the Rio Grande, we find that the same revolutionary exactions were suffered by American merchants at Matamoras. The Lerdo General in command being cut off by the Diaz forces from all communication with, and aid from the Capital, was soon without money to pay his troops and keep up his defense of the place. Whereupon he had to resort to the usual expedient of forced loans. The first two were submitted to with as good grace as possible, but when the third came, following quick upon the others, some of the merchants found it difficult to raise the cash, and refused to pay, which led the General to resort to vigorous measures. One American merchant, or rather small trader, quite an old man, was called upon for $300, which he could not, or did not pay. and he was seized by soldiers, in the night, and carried off to the outworks, in front of the city, where a skirmish was going on with the revolutionists outside, and he was stood up on the top of the earthworks, exposed to the fire of the enemy, until the Consul intervened and obtained his release. Another American merchant was levied upon for several thousand dollars, which he felt was unjust and unequal, in view of what he had already paid, so he declined and sought the protection of the Consul, whose office happened to be in the same building. But the Consul's earnest endeavors were

all in vain. Orders were issued to enforce the loan, and a guard of soldiers was sent to the establishment, and, while the American flag was flying from the Consul's staff, on the building, and within reach of the cannon of an American gun-boat in the river, the doors were broken open and the stock of goods carried off and sold at public auction "for a song." A member of this firm came to this Capital a year ago to obtain some recognition of the claim for these damages, offering to take orders on the Custom House of Matamoras, in payment, but he utterly failed to obtain any settlement.

I must close this list with only one other, of the many cases which have been reported to this Legation, and that a very recent one. An American trader, Mr. Walter Henry, who had been engaged in merchandising in the city of Chihuahua, for many years, had suffered so much from the Diaz revolution, being compelled to pay, in succession, forced loans for $2,500, $300, and $1,500, besides furnishing a Henry rifle, a pair of pistols, and a horse, accoutered for the revolution, that he felt compelled to abandon that city and seek a more peaceful part of the country. So he selected the town of Saltillo, in Coahuila. He went to the United States and bought a new stock of goods. Leaving San Antonio, Texas, he came through the Mexican town of Piedras Negras, on the Rio Grande, passed his goods regularly through the Custom House at that place, and paid the duties to the collector. In doing so, it became known that he had on his person some $400 in cash. He started into the interior, with his train of goods, *en route* for Saltillo. Only a short distance out he was brutally murdered and robbed of all his money, and his papers destroyed. When the collector at Piedras Negras heard of his murder and the destruction of his papers, he sent a guard, forthwith, to seize his goods as contraband! But the Alcalde of the neighboring town of Zaragoza, had taken possession of, and sold to the amount of $1,000 of them to pay the funeral expenses of the murdered man. In the meantime, the Consul at Piedras Negras, hearing of the murder, went to the Custom House to obtain what information he could as to the amount and character of Henry's goods, with the object of taking possession of them

for the benefit of his estate. He met the collector, who denied any knowledge of Henry, or of his goods having passed through the Custom House, and, upon examination, it appeared that he had not returned any account of the money, but appropriated it to his own use; and now that Henry was dead, and his papers destroyed, he proposed to conceal his own fraud by confiscating the goods. This event took place within the past fifty days.

The foregoing cases illustrate the inconveniences to which American merchants, in the interior of this country, are, at times, subjected. I do not mean to convey the idea that all American merchants are thus treated, but there are few who have passed many years in the interior, who can not testify to these annoyances, in some shape, from their own experience. Nor do I desire to have it understood that the general Government, or the better class of Mexican citizens, approve of such conduct. But these occurrences are the regular incidents of each succeeding revolution. It is proper, however, to state that, notwithstanding the Supreme Court of Mexico has decided, in most explicit terms, that forced loans, and all similar military, or Executive levies, are unconstitutional and unauthorized, even in time of war, the Mexican Government has positively refused to enter into any treaty stipulation, or make any declaration or agreement, guaranteeing residents in the country against such unequal and unjust exactions.

To complete, even a sketch, of the evil commercial effects which Mexico is suffering from her revolutions, a brief reference to the last point mentioned is necessary: 3d. The incentive to, and facility for contraband trade, afforded by revolution, and the derangement of business.

The first great need of a revolutionary chief is money, and one of the ways of raising it, in addition to forced loans, is to get possession of a sea-port, or a frontier town, and negotiate with the merchants for funds, upon the admission of their goods at a heavy discount on the tariff. So, also, in times of revolution the authority and supervision of the general Government over the Custom Houses, is much interfered with, and the officials in charge have greater opportunities for private arrangements with such merchants as indulge in the practice.

The constant recurrence of civil disturbances in the country, so unsettles customs morals, as well as methods, that the enforcement of rigid rules, and a thorough system of customs collections is difficult, even in the intervals of peace. The high tariff, in part caused by the revolutionary state of the Treasury, is also a great incentive to illicit trade. Probably no Government in the world, with the utmost vigilance, could prevent this kind of traffic, with a tariff which contains the rates cited in the foregoing list. The result is, as might be expected. Smuggling is carried on over the frontier, and along the sea coast to such an extent as to almost bankrupt the National Treasury, and unsettle, completely, commercial values, reducing prices on many articles below the rate of duties, without even estimating the original cost. The evil has become so notorious and intolerable as to be acknowledged, publicly, by the Government, and the honest merchants have been compelled to remonstrate against it in such terms, and ask for rigorous measures for its suppression, that they threaten to suspend orders for importations, unless a check is placed upon the illicit traffic. The Minister of Finance, in an interview which he had, on the 3d ultimo, with a committee of the Supreme Court, which waited upon him to obtain the payment of their salaries, referred them to "the scandalous contraband trade which, besides *ruining the legitimate commerce*, deprived the Treasury of most important resources," and this commerce "was carried on not only on the northern frontier, but in other parts of the country."

It can be seen, at once, what effect such a state of affairs must have on legitimate commerce, and on mercantile morals, and at what a disadvantage honest importers are placed in competition with the unconscionable dealers, who rapidly become expert in making terms with, or deceiving the Custom House officials, or in evading the guards. My personal acquaintance with many of the merchants and manufacturers of Chicago, leads me to the sure conclusion that they could not successfully compete in this illicit trade.

What I have written, may, in some degree, account for "the astonishing fact" referred to in Senor Zamacona's address, that while the enterprise of the American merchant car-

ries our trade to the far Indies and Australia, and while it is invading the Republics of South America, it is passing by Mexico. It was an inexplicable fact to me, also, until a more intimate knowledge of the condition, legislation and trade practices of this country presented the embarrassments which I have, in part, explained.

But the common inquiry and reply are, "Why can not the American merchant successfully compete with the English, German, French and Spanish merchants, who now control this trade?" In the first place, the question requires amendment, by the omission of the English merchants from the list, as they have almost completely withdrawn from the country, for much the same reason that the Americans can not, or do not enter it. There is not a single English house in the port of Vera Cruz, not an importing house, and only three English houses, of all branches, in this city, and, so far as I can learn, not exceeding six, all told, in the entire Republic. English goods come to this country, but they are ordered from Manchester and Sheffield, by German and other merchants. The import trade is principally in the hands of the Germans and Spaniards, mainly the former. The latter have great advantages in speaking the language, and being of the same race as the controlling element of the country. But the Germans have fairly earned their predominance by many years of patient study of the country and persistent application to the business. The Hamburgh merchants establish their branches in various parts of Mexico, and send their educated youths out to serve an apprenticeship in the business, and afterwards assume the management of the branch house. They become thoroughly familiar with the condition and practices of the country, and master the intricacies of the tariff and interior duties. Revolutions and changes of Government do not disturb their equanimity. They become accustomed to "forced loans" and "extraordinary contributions." Notwithstanding the irregularities of the Custom House officials, and the embarrassments of the contraband trade, they keep the "even tenor of their way," and, usually, (though not always) in middle or advanced life, are able to go back to Germany with a competence. If the American merchants are willing to pur-

sue the same policy, and subject themselves to the same annoyances, I doubt not they will succeed likewise; although I have already referred to some of the advantages which are possessed by the former.

But commerce, like the human being which controls it, is susceptible to temptation, and, though it can, and often does triumph over difficulties, prefers to accept the offers which are most fair, and the fields which are least hazardous. Mexico is our natural market, and the two countries should have more intimate commercial relations. But our merchants will continue to find other markets beyond the equator and on the opposite side of the globe, unless, 1st. Mexico is willing to liberalize its legislation and reëstablish its credit, so as to make a direct railroad communication possible; 2nd. Modify its tariff and interior trade regulations; and 3d. Preserve a stable Government, and enforce order and protection to life and property. When these are accomplished, an unexampled era of prosperity and development will dawn upon this fair land, and the two Republics will be bound together by the indissoluble bonds of commercial and social reciprocity, which will not allow a disturbance of their peace or their national integrity.

While I have thus shown the obstacles to a large trade with this country, there is, nevertheless, a limited field which may be occupied by American merchants and manufacturers. The Mexican free list enables them to import engines, machinery, and agricultural implements, and to the extent that these are used, our importers can successfully compete with those of Europe. A careful examination of the Mexican tariff, will reveal some articles, which may be introduced with profit; and even the goods which, owing to the high duties and charges, become luxuries in this market, can be sold to a limited extent. And I regard it as entirely feasible and safe for American manufacturers to combine their efforts in kindred branches, and establish in this city warehouses for the exhibition and sale of the products of their factories. In this way the local merchants and consumers will have a practical display of the superior merits of American goods and wares, and their sale can be gradually introduced, and a permanent market created.

I am gratified to hear that there is a movement on foot in Chicago, on the part of some of your business men, to make an excursion to this city, at an early day. I can promise them a most enjoyable trip. The country will deeply interest them, and all will be charmed with the magnificent scenery and delightful climate. And I doubt not the Mexican citizens, who have so highly appreciated the attentions and courtesies which your Association so lavishly bestowed, recently, upon their official representative, will be glad of an opportunity to reciprocate your kindness. Whatever may be the impressions of the visitors, as to the possibility of a large and speedy commerce with Mexico, they can be assured of a hearty welcome and courteous treatment on the part of all its people.

I am sir, very respectfully,

Your obedient servant,

JOHN W. FOSTER.

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